2021
AUDITED FINANCIAL STATEMENTS

FORTUNE GENERAL INSURANCE CORPORATION
December 31, 2021 and 2020

R. R. TAN AND ASSOCIATES
Certified Public Accountants

R. R. TAN & ASSOCIATES, CPAs

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PRC-BOA Reg. No. 0132, valid until August 13, 2024
SEC Accreditation No.0394-F, valid until July 23, 2023
BIR Accreditation No. 07-100015-001-2019, valid until September 12, 2022
IC Accreditation No. 0132-IC, valid until November 17, 2024

Report of Independent Public Accountants

The Board of Directors and Stockholders
FORTUNE GENERAL INSURANCE CORPORATION
4/F Citystate Centre, 709 Shaw Blvd.
Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **FORTUNE GENERAL INSURANCE CORPORATION** (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standard. (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information disclosed in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. R. TAN AND ASSOCIATES, CPAs

By: CHESTER NIMITZ F. SALVADOR
Partner
CPA Certificate No. 0129556
Tax Identification No. 307-838-154
PTR No. 8131887, January 12, 2022, Pasig City
SEC Accreditation No. 1812-A, valid until July 23, 2023
BIR Accreditation No. 07-000251-003-2019, valid until June 12, 2022
IC Accreditation No. 129556-IC, valid until March 1, 2025

April 11, 2022
Pasig City

R. R. TAN & ASSOCIATES, CPAs

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IC Accreditation No. 0132-IC, valid until November 17, 2024

Report of Independent Public Accountants to Accompany Financial Statements for filing with Securities and Exchange Commission

The Board of Directors and Stockholders
FORTUNE GENERAL INSURANCE CORPORATION
4/F Citystate Centre, 709 Shaw Blvd.
Pasig City

We have audited the financial statements of **FORTUNE GENERAL INSURANCE CORPORATION** as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 11, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said company has a total number of twenty-nine (29) stockholders owning one hundred (100) or more shares each.

R. R. TAN AND ASSOCIATES, CPAs

By: CHESTER NIMITZ F. SALVADOR
Partner
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April 11, 2022
Pasig City

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	***Notes***		**2021**		2020
Cash and Cash Equivalents	*8*	**P**	**421,737,587**	P	498,581,673
Short-term Investments	*9*		**2,505,827**		2,487,920
Financial Assets	*5,10*				
Available-for-Sale (AFS)			**195,541,392**		110,663,088
Held-to-Maturity (HTM)			**600,685,534**		461,975,101
Insurance Balance Receivables	*11*		**232,183,450**		213,829,086
Reinsurance Assets	*12*		**362,250,123**		327,321,938
Deferred Acquisition Costs	*15*		**79,686,202**		71,849,368
Investment Properties	*13*		**94,501,700**		93,593,500
Property and Equipment - Net	*14*		**158,555,119**		157,564,621
Accrued Investment Income	*16*		**3,702,731**		3,044,593
Other Assets	*17*		**12,627,768**		15,861,118
TOTAL ASSETS		**P**	**2,163,977,433**	P	1,956,772,006

LIABILITIES AND EQUITY					
Reserve for Unearned Premiums	*18*	**P**	**433,806,055**	P	362,281,753
Insurance Claims Payable	*19*		**440,021,399**		378,395,319
Accounts Payable and Accrued Expenses	*20*		**124,804,151**		122,791,083
Reinsurance Liabilities	*21*		**43,341,749**		26,912,768
Deferred Reinsurance Commissions	*15*		**10,401,326**		9,393,996
Deferred Tax Liabilities	*30*		**15,236,858**		20,958,506
Defined Benefit Obligation	*29*		**18,290,991**		19,836,219
Total Liabilities			**1,085,902,529**		940,569,644
EQUITY					
Share Capital	*22*		**619,041,500**		619,041,500
Share Premium	*22*		**5,774,774**		5,774,774
Contingency Surplus	*22*		**11,142,587**		11,142,587
Revaluation Reserve on:					
Property and Equipment - Net			**40,572,077**		37,759,262
Available-for-Sale Financial Assets	*10*		**888,194**		(13,698,227)
Remeasurement Loss on Defined Benefit Obligation - Net	*29*		**(15,252,998)**		(13,384,631)
Retained Earnings - December 31			**415,908,770**		369,567,097
Total Equity			**1,078,074,904**		1,016,202,362
TOTAL LIABILITIES AND EQUITY		**P**	**2,163,977,433**	P	1,956,772,006

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes		2021		2020
REVENUES					
Gross Premiums Earned	*24*	**P**	**761,768,415**	P	706,973,349
Reinsurance Premium Ceded	*24*		**155,206,642**		147,661,285
Net Insurance Revenue			**606,561,773**		559,312,064
Commission Income	*27*		**18,460,788**		21,073,253
Interest Income	*25*		**21,664,422**		20,490,256
Unrealized Gain in Fair Value of Investment Properties	*13*		**908,200**		4,256,250
Other Investment Income - Net	*25*		**5,831,728**		6,654,558
Unrealized Gain on Foreign Exchange			**2,473,328**		-
			655,900,239		611,786,381
CLAIMS, LOSSES AND ADJUSTMENT EXPENSES					
Insurance Claims, Losses and Adjustment Expenses Paid - Net of Salvages and Recoveries	*19,26*		**260,127,709**		196,182,806
Paid Insurance Claims, Losses and Adjustment Expenses Recovered from Reinsurers	*19,26*		**(36,825,553)**		(19,357,857)
Changes in Insurance Claims Payable			**61,626,080**		126,148,830
Changes in Reinsurers' Share of Claims, Losses and Adjustment Expenses			**(28,957,523)**		(58,125,263)
Other Underwriting Expenses			**204,906**		338,521
			256,175,619		245,187,037
COSTS AND EXPENSES					
Commission Expense	*27*		**151,675,932**		157,157,593
Unrealized Loss on Foreign Exchange			**-**		1,918,443
General and Administrative Expenses	*28*		**192,636,432**		169,304,865
			344,312,364		328,380,901
INCOME BEFORE INCOME TAX EXPENSE			**55,412,256**		38,218,443
INCOME TAX EXPENSE	*30*		**9,070,583**		7,845,434
PROFIT FOR THE YEAR		**P**	**46,341,673**	P	30,373,009

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Note		2021		2020
PROFIT FOR THE YEAR		**P**	**46,341,673**	P	30,373,009
OTHER COMPREHENSIVE INCOME					
Amount to be Reclassified to Profit or Loss in Subsequent Periods:					
Fair Value Changes in AFS Investments	*10*		**14,586,421**		(3,867,038)
Amount not to be Reclassified to Profit or Loss in Subsequent Periods:					
Revaluation of Property and Equipment - Net of Tax			**115,725**		3,456,111
Remeasurement Gain (Loss) on Defined Benefit Obligation - Net of Tax			**(912,323)**		4,895,913
TOTAL COMPREHENSIVE INCOME		**P**	**60,131,496**	P	34,857,995

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes		2021		2020
SHARE CAPITAL					
Balance, January 1		**P**	**619,041,500**	P	322,011,800
Issuance During the Year			**-**		297,029,700
Balance, December 31	*22*		**619,041,500**		619,041,500
SHARE PREMIUM	*22*		**5,774,774**		5,774,774
CONTINGENCY SURPLUS	*22*		**11,142,587**		11,142,587
REVALUATION RESERVE					
Property and Equipment - *Net of Tax*					
Balance, January 1			**37,759,262**		34,303,151
Effect of changes in tax rate			**2,697,090**		-
Revaluation Increment Recognized During the Year			**115,725**		3,456,111
Balance, December 31			**40,572,077**		37,759,262
Available-for-Sale Financial Assets					
Balance, January 1			**(13,698,227)**		(9,831,189)
Changes in Fair Values			**14,586,421**		(3,867,038)
Balance, December 31	*10*		**888,194**		(13,698,227)
REMEASUREMENT LOSS ON DEFINED					
BENEFIT OBLIGATION - *Net of Tax*					
Balance, January 1			**(13,384,631)**		(18,280,544)
Effect of changes in tax rate			**(956,044)**		-
Remeasurement Gain (Loss) During the Year			**(912,323)**		4,895,913
Balance, December 31	*29*		**(15,252,998)**		(13,384,631)
RETAINED EARNINGS					
Balance, January 1			**369,567,097**		339,194,088
Profit for the Year			**46,341,673**		30,373,009
Balance, December 31			**415,908,770**		369,567,097
		P	**1,078,074,904**	P	1,016,202,362

See Accompanying Notes to Financial Statements

FORTUNE GENERAL INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes		**2021**		2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Income Before Income Tax Expense		**P**	**55,412,256**	P	38,218,443
Adjustments for:					
Amortization of Discount (Premium) on HTM Investments	*10*		**166,287**		(916,571)
Depreciation	*14*		**5,600,280**		4,980,892
Amortization of Deferred Acquisition Cost - Net	*15*		**(6,829,504)**		2,344,890
Provision for Retirement	*29*		**4,343,713**		5,791,496
Increase/Decrease in Reserve for Unearned Premiums			**71,524,302**		3,527,796
Unrealized Gain in Fair Value of Investment Properties	*13*		**(908,200)**		(4,256,250)
Unrealized Gain (Loss) on Foreign Exchange			**(2,473,328)**		1,918,443
Gain on Sale of AFS Investments	*10*		**-**		2,397,263
Gain on Sale of HTM Investments			**-**		252,400
Interest Income	*25*		**(21,664,422)**		(20,490,256)
Dividend Income	*25*		**(971,524)**		(396,728)
Operating Income Before Working Capital Changes			**104,199,860**		33,371,818
Decrease (Increase) in Operating Assets:					
Insurance Balance Receivables			**(18,354,365)**		(60,105,377)
Reinsurance Assets			**(34,928,185)**		(29,079,514)
Other Assets			**2,174,963**		4,128,475
Increase (Decrease) in Operating Liabilities:					
Accounts Payable and Accrued Expenses			**(1,197,965)**		22,991,617
Reinsurance Liabilities			**16,428,981**		5,000,793
Insurance Claims Payable			**61,626,080**		126,148,830
Cash Provided by Operations			**129,949,369**		102,456,642
Income taxes paid			**(8,516,235)**		(4,391,567)
Contributions to the Retirement Benefit Fund	*29*		**(7,105,371)**		(7,111,297)
Net Cash Provided by Operating Activities			**114,327,763**		90,953,778
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale/Maturities of:					
Financial Assets:					
Short-term Investments			**2,487,921**		2,909,975
Available-for-Sale			**-**		12,620,537
Held-to-Maturity			**-**		34,410,385
Acquisitions of:					
Financial Assets:					
Short-term Investments	*9*		**(2,505,827)**		(2,487,920)
Available-for-Sale	*10*		**(70,291,883)**		(32,681,212)
Held-to-Maturity	*10*		**(137,850,000)**		(37,970,000)
Property and Equipment	*14*		**(6,436,478)**		(3,686,511)
Interest and Dividend Received			**21,977,810**		20,996,912
Net Cash Used in Investing Activities			**(192,618,457)**		(5,887,834)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Issuance of Share Capital	*22*		**-**		297,029,700
Net Cash Provided by Financing Activities			**-**		297,029,700
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**(78,290,694)**		382,095,644
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			**1,446,608**		(114,942)
CASH AND CASH EQUIVALENTS, JANUARY 1			**498,581,673**		116,600,971
CASH AND CASH EQUIVALENTS, DECEMBER 31		**P**	**421,737,587**	P	498,581,673

See Accompanying Notes to Financial Statements

1. Corporate Information

FORTUNE GENERAL INSURANCE CORPORATION (Company) was registered with the Securities and Exchange Commission (SEC) on June 13, 1955 under SEC Registration No. 9934. It was incorporated primarily to carry on and engage in the business of general insurance and reinsurance.

On the 10th of July 2003, The Securities and Exchange Commission (SEC) approved the merger of FORTUNE GUARANTEE AND INSURANCE CORPORATION (FGIC) and CITYSTATE INSURANCE CORPORATION (CIC), another non-life insurance company, with FGIC as the surviving entity.

The Company changed its name to **FORTUNE GENERAL INSURANCE CORPORATION** through the amendment of its Articles of Incorporation on May 25, 2004, which was approved by the SEC on June 30, 2004.

The registered office of the Company is on the 4th Floor of Citystate Centre, 709 Shaw Boulevard, Pasig City, Metro Manila, Philippines. The Company has eighteen (18) branches nationwide.

Authorization for Issuance of the Financial Statements

In a regular meeting of the Board of Directors (BOD) held on March 30, 2021, the BOD approved to delegate the authority to the Audit Committee to review and approve for issuance the audited financial statements of the Company. On April 11, 2022, the Audit Committee then approved and authorized the issuance of the accompanying financial statements as of and for the year ended December 31, 2021.

2. Basis of Preparation and Presentation

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements have been prepared on a historical cost basis except for the following which are measured at fair values:

- Available-for-Sale Financial Assets
- Investment Properties
- All properties occupied or used in the course of its business included under Property and Equipment

The financial statements are presented in Philippine Peso and all values represent absolute amounts except as otherwise indicated.

The Company presents its statements of financial position broadly following the order of its liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in Note 32.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less that are subject to insignificant risk of changes in value.

Short-term Investments
Short-term investments are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of more than three months up to one year from dates of placement. These earn interests at the respective short-term investment rates.

Financial Instruments

Date of Recognition
Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL “Fair Value through Profit & Loss”, the initial measurement of these financial instruments includes transaction costs.

Determination of Fair Value
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instruments or from the results based on a valuation technique, the Company recognizes the difference between the transaction price and the fair value in the statement of comprehensive income, unless it qualifies for recognition as some other type of asset.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and are reported at its net values in the statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instruments
The Company classifies financial assets into the following categories, (i) At FVPL, (ii) Available-for-Sale, (iii) Held-to-Maturity and (iv) Loans and Receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or the liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition, and where allowed and appropriate, re-evaluates such designation at every reporting date.

- Financial Assets and Financial Liabilities at FVPL
  Financial Assets and Financial Liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition at FVPL. After initial recognition, Financial Assets and Financial Liabilities at FVPL are carried at fair value.

  A financial asset and financial liability is classified as held for trading if:

  - It has been acquired principally for the purpose of selling in the near future; or
  - It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
  - It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as FVPL upon initial recognition if:

  - Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
  - The financial asset forms part of a group of financial assets that is managed and its performance is evaluated on a fair value basis; or
  - It forms part of a contract containing one or more embedded derivatives.

  As of December 31, 2021, and 2020, there are no financial assets under this category.

- Available-for-Sale (AFS)
  AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in the equity account as "*Revaluation Reserve on AFS Financial Assets*". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in the profit or loss for the period.

  As at December 31, 2021 and 2020, financial assets under this category amounted to P195,541,392 and P110,663,088, respectively.

- Loans and Receivables
  Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

  Included under this category are the company's Cash and Cash Equivalents, Insurance Balance Receivable, Reinsurance Assets, Other Receivable, and deposits and security funds lodged under Other Assets.

- Held-to-Maturity (HTM)
  HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of income.

As at December 31, 2021 and 2020, financial assets under this category amounted to P600,685,534 and P461,975,101, respectively, comprising of government securities and corporate bonds.

- Other Financial Liabilities
  Issued financial instruments or their components, which are not designated as FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

  After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

  Included under this category are Accounts Payable and Accrued Expenses, Insurance Claims Payable and Reinsurance Liabilities.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met:

(i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near future; and
(ii) there is a rare situation

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment of Financial Assets
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on Loans and Receivables or Held-to-Maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-Sale Financial Assets
Available-for-Sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Derecognition of Financial Instruments

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Insurance Contract
Insurance contracts are defined as those contracts under which the Company (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. As a general guideline, the Company defines insurance risk as

significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if the insurance risk becomes significant.

Insurance Balance Receivables
These include amounts due from insurance contracts and due from ceding companies.

Insurance Balance Receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration received for the period or coverage. Subsequent to initial recognition, Insurance Balance Receivables are measured at amortized cost.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

Reinsurance
The Company cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurance can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligation to policyholders.

The Company also assumes (Facultative) reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Deferred Acquisition Costs
Commissions and other acquisition costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged

against the statement of income. The unamortized acquisition costs are shown in the assets section of the statement of financial position as “Deferred Acquisition Costs”. All other costs are recognized as incurred.

Investment Properties
Investment Properties consist of properties held for long term rental yields and/or for capital appreciation. Investment Properties are initially measured at cost, including transaction costs.

After initial recognition, Investment Properties is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The Company reviews these valuations annually.

Investment Properties that are being redeveloped for continuing use as Investment Properties or for which the market has become less active continues to be measured at fair value. Investment Properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn or sold and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Property and Equipment
Items of Property and Equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value, except for Real Estate property which is measured at fair value.

The initial cost of Property and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property and Equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of Property and Equipment.

When assets are sold, or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Statement of Comprehensive Income of such period.

Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets as follows:

Items of Property and Equipment	Estimated Useful Life
Real Estate	50 years
Office Improvements	5 years
Furniture, Fixtures & Office Equipment	5 years
EDP Equipment	5 years
Transportation Equipment	5 years

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of Property and Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Other Assets
Other Assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Impairment of Non-financial Assets
The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is considered impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can reliably be estimated.

For Loans and Receivables, impairment loss is provided when there is objective evidence that the company will not be able to collect fully all amounts due to it in accordance with the original contract or term of the loan/receivable. If there is objective evidence that a credit loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the Statement of Comprehensive Income.

Interest income of Loans and Receivables continue to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated credit loss decreases because of an event occurring after the credit loss is recognized, the previously recognized credit loss is reduced by adjusting the allowance account.

Reserve for Unearned Premiums
The portion of written premiums, gross of commissions payable and reinsurance, attributable to subsequent periods or to risks that have not yet expired is deferred and recognized in the Statement of Financial Position as Premium Liabilities as a separate line item in the liabilities section. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. In 2017, the Company fully adapted the 24th method across all its insurance lines.

Insurance Claims Payable
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are recognized when insured events occur.

The liabilities for unpaid claims including those Incurred But Not Reported (IBNR) are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR losses are calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Liability Adequacy Test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance liabilities, net of related Deferred Acquisition Costs assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

Accounts Payable and Accrued Expenses
Accounts and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Accounts Payable are non-interest bearing and are stated at their nominal value.

Accounts payable are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals; however, the uncertainty is generally much less than for provisions.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

As a Lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payment that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months from the date of initial application;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

Short-term Leases and Leases of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor
When the Company acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease is a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Leases where the Company does not transfer substantially all of the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Reinsurance Liabilities

This corresponds to liabilities arising from reinsurance agreements with re-insurers, which the Company utilizes to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance liabilities and reinsurance receivable are reported separately in the financial statements.

Equity

Share Capital

Share Capital is determined using the nominal value of shares that have been subscribed (or issued and paid-up).

Share Premium

Share Premium includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits.

Contingency Surplus

Contingency surplus represents the contributions of the shareholders in order to comply with the capital requirement as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission.

Retained Earnings

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, net of dividends declared.

Revaluation Reserve on AFS Financial Assets

This represents gains or losses arising from fair value changes of Available-for-Sale financial assets.

Revaluation Reserve – Property and Equipment

This represents the appraisal increment on real estate, which are presented at appraised values in the financial statements net of deferred income tax.

Revenue Recognition

Revenue is recognized only when the Company satisfies a performance obligation by transferring control of the promised services to the customer. Revenue is measured at the transaction price which the entity expects to be entitled in exchange for a good or service. The following specific revenue recognition criteria must also be met before revenue is recognized.

Premiums

Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums"* and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for Reinsurance Premiums*" and lodge under "*Reinsurance Assets*" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

Reinsurance Commission

Reinsurance Commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "*Deferred Commission Income*" in the liabilities section of the statement of financial position.

Interest Income
For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Dividend Income
Dividend Income is recognized when the right to receive dividends is established.

Rental Income
Rental Income is recognized on a straight-line basis over the term of the lease.

Realized Gains and Losses
Realized Gains and Losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

Cost and Expense Recognition

Claims
This account consists of claims paid to policyholders, which includes changes in the valuation of insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Commission Expense
Commissions paid to cedants are deferred and are included in deferred acquisition cost, subject to the same amortization method.

Expense Recognition
Expenses are recognized when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses and interest expense, except for lease agreements, are recognized in the statement of income as they are incurred.

Income Taxes
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of Deferred Tax Assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of Deferred Tax Liabilities and Assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for Investment Properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in Deferred Tax Assets or Liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred Tax Assets and Deferred Tax Liabilities are offset if the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Retirement Benefit Cost
The net defined benefit obligation or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:

(a) Service cost;
(b) Net interest on the net defined benefit obligation or asset; and
(c) Re-measurements of net defined benefit obligation or asset

Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit obligation or asset. Net interest on the net defined benefit obligation or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency Transactions and Translations
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency).* The financial statements are presented in Philippine Peso, the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Related Party Transactions
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control or common significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

In the conduct of its regular course of business, the Company engages with related parties.

Provisions
Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the date of the Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After End of the Reporting Period
Any event after the financial reporting date that provides additional information about the Company's position at the financial reporting date (adjusting event) are reflected in the financial statements. Any event after the financial reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Changes in Accounting Standards and Disclosures

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2021
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

Amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions Beyond June 30, 2021*
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendments beginning April 1, 2021. As there are no rent concessions granted to the Company as a lessee, these amendments had no impact on the financial statements.

Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 – *Interest Rate Benchmark Reform Phase 2*
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively. These amendments had no impact on the financial statements of the Company.

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2021
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2021 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *Reference to the Conceptual Framework*
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied prospectively.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*
The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before the asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs

of producing those items which are identified and measured in accordance with PAS 2 *Inventories.*

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a Company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and costs are presented separately in the statement of comprehensive income.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments are not expected to have significant impact on the Company's financial statements.

Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract: Cost of Fulfilling a Contract*
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after January 1, 2022. The amendments are not expected to have significant impact on the Company's financial statements.

Annual Improvements to PFRSs (2018-2020 cycle)
The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning or after January 1, 2022 and are not expected to have a significant impact on the Company's financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*
  The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- PFRS 16, *Leases, Lease incentives illustrative example*
  The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- PAS 41, *Agriculture, Taxation in fair value measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective beginning on or after January 1, 2023

Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 8, *Definition of Accounting Estimates*
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2025

PFRS 17, Insurance Contracts
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

Interpretation with Deferred Effective Date

Amendments to PFRS 10, Financial Statements, and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. Summary of Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standard requires Management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may actually differ from such estimates.

Judgments
In the process of applying the Company's accounting policies, Management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of Investments
In classifying its investments, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classifications of investments as at December 31, 2021 and 2020 are as follows:

	2021	2020
Available-for-sale	**P 195,541,392**	P 110,663,088
Held-to-maturity	**600,685,534**	461,975,101

Classification and Valuation of Investment Properties and Owner-Occupied Properties
The Company reclassifies its revenue generating properties to Investment Properties, leaving owner-occupied properties under Property and Equipment, both carried at their respective Market Values, and the corresponding recognition of the resulting increase in fair value in the Profit and Loss for Investment Properties and Revaluation Reserve for owner-occupied properties.

Investment Properties, amounted to P94,501,700 in 2021 and P93,593,500 in 2020.

Owner-occupied properties, carried at market value amounted to P143,807,300 and P143,653,000 in 2021 and 2020, respectively.

Rental Income amounted to P3,612,873 in 2021 and to P3,590,885 in 2020. (See Note 25)

Estimates
In the application of the Company's accounting policies, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Determination of Fair Value of Financial Assets and Liabilities
Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Estimating Allowance for Impairment of Financial Assets
The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Estimating Useful Lives of Property and Equipment
The Company estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the property and equipment based on expected asset utilization.

Property and Equipment, net of accumulated depreciation and impairment losses, amounted to P158,555,119 and P157,564,621 as at December 31, 2021 and 2020, respectively. (See Note 14)

Recoverability of Deferred Tax Asset
The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces the deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Impairment of Non-Financial Asset
The Company assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

As of December 31, 2021 and 2020, there were no impairment losses recognized in the statements of income.

Valuation of Insurance Claims Payable
Estimates have to be made at the reporting date for both the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to profit or loss.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain Ladder method and Bornhuetter-Ferguson method based on paid and reported claims information.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Insurance claims payable as at December 31, 2021 and 2020 amounted to P440,021,399 and P378,395,319, respectively. (See Note 19)

Defined Benefit Obligation
The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, future salary increase rates, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date. Refer to Note 29 for the details of assumptions used in the calculation.

In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately under other comprehensive income in the statements of comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

The Company's Defined Benefit Obligation amounted to P18,290,991 and P19,836,219 as at December 31, 2021 and 2020, respectively. (See Note 29)

6. Fair Value Measurement

(i) Financial Instruments

The fair value of financial instruments and their carrying amounts is as follows:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Category of Financial Instruments				
AFS	P 195,541,392	P 195,541,392	P 110,663,088	P 110,663,088
HTM	600,685,534	604,526,655	461,975,101	465,649,935
Loans and Receivable				
Cash and Cash Equivalents*	416,947,484	416,947,484	494,233,746	494,233,746
Short-term Investments	2,505,827	2,505,827	2,487,920	2,487,920
Insurance and Reinsurance Balance Receivables	517,075,853	517,075,853	469,055,181	469,055,181
Accrued Investment Income	3,702,731	3,702,731	3,044,593	3,044,593
Other Receivables	10,413,597	10,413,597	12,216,288	12,216,288
Other Financial Liabilities				
Insurance Claims Payable	440,021,399	440,021,399	378,395,319	378,395,319
Accounts Payable and Accrued Expenses	81,780,517	81,780,517	90,154,025	90,154,025
Reinsurance Liabilities	43,341,749	43,341,749	26,912,768	26,912,768

**Excludes Cash on Hand of P4,790,103 in 2021 and P4,347,927 in 2020*

The fair value hierarchy of the Company's financial instruments are summarized in the tables below.

	2021			
	Fair value	Level 1	Level 2	Level 3
Financial Instruments Measured at Fair Value				
AFS				
Listed Equity Securities	P 173,385,227	P 173,385,227	P -	P -
Mutual Fund	8,136,165	-	8,136,165	-
Unlisted Equity Securities	20,000	-	-	20,000
Time Deposits	14,000,000	-	14,000,000	-
Financial Instruments for which Fair Value is Disclosed				
HTM				
Government Securities	402,476,855	402,476,855	-	-
Corporate Securities	202,049,800	202,049,800	-	-
Loans Receivable				
Cash and Cash Equivalents	416,947,484	-	-	416,947,484
Short-term Investments	2,505,827	-	-	2,505,827
Insurance and Reinsurance Balances Receivable	517,075,853	-	-	517,075,853
Accrued Investment Income	3,702,731	-	-	3,702,731
Other Receivables	10,413,597	-	-	10,413,597
Other Financial Liabilities				
Insurance Claims Payable	440,021,399	-	-	440,021,399
Accounts Payable and Accrued Expenses	81,780,517	-	-	81,780,517
Reinsurance Liabilities	43,341,749	-	-	43,341,749

	2020			
	Fair value	Level 1	Level 2	Level 3
Financial Instruments Measured at Fair Value				
AFS				
Listed Equity Securities	P 88,489,012	P 88,489,012	P -	P -
Mutual Fund	8,054,076	-	8,054,076	-
Unlisted Equity Securities	120,000	-	-	120,000
Time Deposits	14,000,000	-	14,000,000	-
Financial Instruments for which Fair Value is Disclosed				
HTM				
Government Securities	377,047,220	377,047,220	-	-
Corporate Securities	88,602,715	88,602,715	-	-
Loans Receivable				
Cash and Cash Equivalents	494,233,746	-	-	494,233,746
Short-term Investments	2,487,920	-	-	2,487,920
Insurance and Reinsurance Balances Receivable	469,055,181	-	-	469,055,181
Accrued Investment Income	3,044,593	-	-	3,044,593
Other Receivables	12,216,288	-	-	12,216,288
Other Financial Liabilities				
Insurance Claims Payable	378,395,319	-	-	378,395,319
Accounts Payable and Accrued Expenses	90,154,025	-	-	90,154,025
Reinsurance Liabilities	26,912,768	-	-	26,912,768

The company measures fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1
  Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.

  Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

  A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2
  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3
  Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair values were determined as follows:

- *Cash and Cash Equivalents, Short-term Investments* – the fair values are approximately the carrying amounts due to short-term nature.

- *Quoted Debt Securities (Government and Corporate)* – the fair values were determined from the published references from Philippine Dealing System or third-party information.

- *Listed Equity Securities* - the fair values were determined from the published prices from Philippine Stock Exchange.

- *Unlisted Equity Securities* - Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.

- *Mutual Fund* – The fair value was determined via Net Asset Value per share/units. These are calculated by dividing the fair value of net assets over the total number of shares/units issued.

- *Receivables, Deposits and Other Financial Assets/Liabilities* - Due to their short duration, the carrying amounts of Receivables, deposits and other financial liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

(ii) Non-Financial Assets

<u>Investment Properties</u>
The Company's Investment Properties as at the end of 2021 and 2020 were appraised by an independent appraiser firm. The appraisal resulted to the recognition of unrealized gain on fair value adjustment of Investment Properties of P908,200 in 2021 and P4,256,250 in 2020. Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

The description of valuation techniques and inputs used in determining the fair value of Investment Properties are as follows:

Property Location	**Property Description**			**2021**		2020
CityState Center, Pasig City	Condominium Units	Fair Value	**P**	**51,366,700**	P	51,205,000
		Adjustment Factors:				
		Unit Area/Size		**-5% to -10%**		-5%
		Unit Location		**-5% to +20%**		-10% to +10%
		Time Element		**0%**		5%
		Parking Slot		**-5% to +20%**		-20%
Cebu City	Condominium Units	Fair Value	**P**	**21,354,000**	P	21,354,000
		Adjustment Factors:				
		Unit Improvements		**-**		+5%
		Unit Area/Size		**-4% to -5%**		-4% to -5%
		Unit Location		**-5% to -10%**		-5% to -10%
		Unit Condition		**-5%**		-5%
Gen. Santos City	Land	Fair Value	**P**	**15,181,000**	P	14,734,500
		Adjustment Factors:				
		Area/Size		**-5% to -10%**		-5% to +10%
		Location		**-15% to +5%**		-2% to +3%
Cauayan City, Isabela	Land	Fair Value	**P**	**6,600,000**	P	6,300,000
		Adjustment Factors:				
		Area/Size		**-10%**		-5% to -10%
		Location		**0%**		0%
		Neighborhood		**0%**		0%
		Shape/Utility		**-20%**		-20%

Real Estate Property *(included under Property and Equipment*)
The Company's Real Estate Property as at the end of 2021 and 2020 were appraised by an independent appraiser firm. The appraisal resulted to the recognition of Revaluation Reserve on Property and Equipment of P154,300 in 2021 and of P4,937,300 in 2020. Fair value is determined using the Market approach under the level 3 of the fair value hierarchy. The highest and best use of these properties is commercial, its current use.

The description of valuation techniques and inputs used in determining the fair value of Real Estate property is as follows:

Property Location	**Property Description**		**2021**	2020
CityState Center, Pasig City	Condominium Units	Fair Value	**P 143,807,300**	P 143,653,000
		Adjustment Factors:		
		Internal	**-5% to +10%**	-5% to +5%
		External	**-10%**	-10%

The assigned value for Real Estate Property was estimated using the Market Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

7. Management of Insurance Risk, Financial Risk and Capital

Insurance Risk
The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of the insurance liabilities. This could occur due to any of the following:

a) Occurrence risk – the possibility that the number of insured events will differ from those expected.
b) Severity risk – the possibility that the cost of the events will differ from those expected.
c) Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected across the board of change in any subset of the portfolio. The variability of risk is also improved by careful election and implementation of underwriting strategy and guidelines.

The business of the Company comprises short-term non-life insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc.

The Company manages insurance risk through the following mechanisms:

- The use and maintenance of management information systems that provide up to date and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

The business of the Company mainly comprises of short-term non-life insurance contract.

The Company principally issued the following types of general insurance contracts: fire, marine, personal accident, engineering, motor car, bonds and miscellaneous casualty.

The concentration of insurance claims as at December 31, 2021 and 2020 is as follows:

	2021			2020		
	Gross	**Share of Reinsurer**	**Net Liability**	Gross	Share of Reinsurer	Net Liability
Fire	**P 214,172,253**	**P 180,276,162**	**P 33,896,091**	P 213,539,716	P 152,056,358	P 61,483,358
Motor Car	**108,064,738**	**2,919,703**	**105,145,035**	90,936,610	2,813,958	88,122,652
Personal Accident	**17,092,391**	**2,170,568**	**14,921,823**	10,912,069	3,790,129	7,121,940
Marine	**7,687,159**	**4,578,617**	**3,108,542**	934,454	546,371	388,083
Bonds	**84,896,709**	**12,059,961**	**72,836,748**	53,276,490	12,743,254	40,533,236
Engineering	**4,886,330**	**4,874,353**	**11,977**	4,508,070	4,496,094	11,976
Other Lines	**3,221,819**	**1,390,002**	**1,831,817**	4,287,910	2,865,679	1,422,231
	P 440,021,399	**P 208,269,366**	**P 231,752,033**	P 378,395,319	P 179,311,843	P 199,083,476

Valuation Standards for Non-life Insurance Companies

On December 28, 2016, IC issued Circular Letter 2016-67 pertinent to valuation standards for non-life insurance policy reserves. The valuation reserve is premised on the following basic assumptions:

- The valuation of policy reserves shall be based on the Company's actual historical experience and/or industry data. The projection of future claims shall be based on the loss development triangles as well as the information gathered from the underwriting and claims department;
- The valuation is to be conducted by a IC-accredited actuary;
- The reserves shall be composed of premiums and claims liabilities both determined using the best estimate assumption, with an appropriate Margin for Adverse Deviation (MfAD) for expected future experience;
- Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR), calculated using the 24th method and Unexpired Risk Reserve (URR). URR refers to the amount of reserve required to cover future claims, commission and expenses, at a designated level of confidence, that are expected to emerge from an unexpired period cover;
- Claims liabilities shall be calculated as the sum of outstanding claims reserve, claims handling expense and Incurred But Not Reported (IBNR), with MfAD.

Financial Risk
The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

Credit Risk
The Company's credit risk is primarily attributable to its insurance receivable. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counter party or group of counter parties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Exposure
The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2021 and 2020.

		2021		2020
Cash and Cash Equivalents*	**P**	**416,947,484**	P	494,233,746
Short-term Investments		**2,505,827**		2,487,920
Financial Assets:				
AFS		**195,541,392**		110,663,088
HTM		**600,685,534**		461,975,101
Insurance Balance Receivables		**232,183,450**		213,829,086
Reinsurance Assets		**284,892,403**		255,226,095
Accrued Investment Income		**3,702,731**		3,044,593
Other Receivables		**10,413,597**		12,216,288
	P	**1,746,872,418**	P	1,553,675,917

**Excludes Cash on Hand of P4,790,103 in 2021 and P4,347,927 in 2020*

Credit Quality
The credit quality of financial assets is as follows:

	As of December 31, 2021				
	Neither Past Due nor Impaired		**Past Due but**	**Past Due**	
	High Grade	**Standard Grade**	**Unimpaired**	**& Impaired**	**Total**
Cash and Cash Equivalents*	**P 416,947,484**	**P -**	**P -**	**P -**	**P 416,947,484**
Short-term Investments	**2,505,827**	**-**	**-**	**-**	**2,505,827**
Financial Assets:					
AFS	**181,521,392**	**14,020,000**	**-**	**-**	**195,541,392**
HTM	**600,685,534**	**-**	**-**	**-**	**600,685,534**
Insurance Balance Receivables	**218,900,257**	**-**	**13,283,193**	**-**	**232,183,450**
Reinsurance Assets	**284,892,403**	**-**	**-**	**-**	**284,892,403**
Accrued Investment Income	**3,702,731**	**-**	**-**	**-**	**3,702,731**
Other Assets	**10,413,597**	**-**	**-**	**-**	**10,413,597**
	P 1,719,569,225	**P 14,020,000**	**P 13,283,193**	**P -**	**P 1,746,872,418**

****Excludes Cash on Hand of P4,790,103 in 2021***

	As of December 31, 2020				
	Neither Past Due nor Impaired		Past Due but	Past Due	
	High Grade	Standard Grade	Unimpaired	& Impaired	Total
Cash and Cash Equivalents*	P 434,185,646	P 60,048,100	P -	P -	P 494,233,746
Short-term Investments	2,487,920	-	-	-	2,487,920
Financial Assets:					
AFS	96,543,088	14,120,000	-	-	110,663,088
HTM	461,975,101	-	-	-	461,975,101
Insurance Balance Receivables	188,186,849	-	25,642,237	-	213,829,086
Reinsurance Assets	255,226,095	-	-	-	255,226,095
Accrued Investment Income	3,044,593	-	-	-	3,044,593
Other Assets	12,216,288	-	-	-	12,216,288
	P 1,453,865,580	P 74,168,100	P 25,642,237	P -	P 1,553,675,917

**Excludes Cash on Hand of P4,347,927 in 2020*

The following table discusses the methodologies that the Company used to grade financial assets:

Financial Asset	Investment Grade	Measurement Basis
Cash and Cash Equivalents and Short-term Investments	High Grade	Cash deposits with universal and commercial banks in the Philippines
	Standard Grade	Cash deposits that are not classified as high grade accounts.
Debt Securities	High Grade	Debt securities issued by the Philippine government which are considered risk free. Debt securities that are issued by private corporations that possesses the capacity to meet financial obligation.
	Standard Grade	Debt securities that are not classified as High grade securities.
Equity Securities	High Grade	Listed equity securities belonging to PSEi
	Standard Grade	Equity securities not belonging to PSEi
Insurance and Reinsurance Accounts and Deposits	High Grade	The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits
	Standard Grade	Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The aging analysis of Insurance Balance Receivables and Reinsurance Recoverable on Paid and Unpaid Losses reckoned from policy inception date are as follows:

	Direct and Assumed Accounts			**Reinsurance Loss Recoverable**		
2021	**Due from Agents & Brokers**	**Due from Ceding Companies**	**Total**	**Paid**	**Unpaid**	**Total**
30 days	**P 154,164,936**	**P 196,882**	**P154,361,818**	**P 11,609,052**	**P 117,213,590**	**P 128,822,642**
60 days	**43,281,028**	**59,219**	**43,340,247**	**765,699**	**92,312**	**858,011**
90 days	**18,466,015**	**2,732,177**	**21,198,192**	**64,248,287**	**832,640**	**65,080,927**
180 days	**6,180,225**	**-**	**6,180,225**	**-**	**90,130,823**	**90,130,823**
over 180 days	**7,102,968**	**-**	**7,102,968**	**-**	**-**	**-**
	P 229,195,172	**P 2,988,278**	**P 232,183,450**	**P 76,623,038**	**P 208,269,365**	**P 284,892,403**

	Direct and Assumed Accounts			Reinsurance Loss Recoverable		
2020	Due from Agents & Brokers	Due from Ceding Companies	Total	Paid	Unpaid	Total
30 days	P 114,088,534	P 531,283	P 114,619,817	P 882,790	P 23,774,434	P 24,657,224
60 days	41,942,051	37,921	41,979,972	1,299,699	615,333	1,915,032
90 days	30,515,173	1,071,887	31,587,060	73,731,763	154,922,076	228,653,839
180 days	13,078,665	-	13,078,665	-	-	-
over 180 days	12,563,572	-	12,563,572	-	-	-
	P 212,187,995	P 1,641,091	P 213,829,086	P 75,914,252	P 179,311,843	P 255,226,095

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counter party failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specify the sources of funding and the vents that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2021 and 2020 are presented below:

	Contractual Maturities			
2021 (in thousand)	< 1 year	> 1 year < 5 years	>5 years	Total
Financial Assets that are :				
Cash and Cash Equivalents	**P 416,947**	**P -**	**P -**	**P 416,947**
Short-term Investments	**2,506**	**-**	**-**	**2,506**
AFS (excluding Equity Securities)	**-**	**-**	**14,000**	**14,000**
HTM	**36,200**	**241,750**	**326,577**	**604,527**
Insurance Balance Receivables	**232,183**	**-**	**-**	**232,183**
Reinsurance assets	**284,892**	**-**	**-**	**284,892**
Accrued Investment Income	**3,703**	**-**	**-**	**3,703**
Due from Related Parties	**26**	**-**	**-**	**26**
Advances to Employees	**3,319**	**-**	**-**	**3,319**
Deposits	**-**	**3,065**	**-**	**3,065**
Car Loan Receivable	**387**	**755**	**-**	**1,142**
Other Receivables	**2,861**	**-**	**-**	**2,861**
Financial Liabilities:				
Insurance Claims Payable	**440,021**	**-**	**-**	**440,021**
Accounts Payable and Accrued Expenses	**81,781**	**-**	**-**	**81,781**
Reinsurance Liabilities	**43,342**	**-**	**-**	**43,342**

	Contractual Maturities			
2020 (in thousand)	< 1 year	> 1 year < 5 years	>5 years	Total
Financial Assets that are :				
Cash and Cash Equivalents	P 494,234	P -	P -	P 494,234
Short-term Investments	2,488	-	-	2,488
AFS (excluding Equity Securities)	-	-	14,000	14,000
HTM	-	167,453	298,197	465,650
Insurance Balance Receivables	213,829	-	-	213,829
Reinsurance assets	255,226	-	-	255,226
Accrued Investment Income	3,045	-	-	3,045
Due from Related Parties	14	-	-	14
Advances to Employees	4,151	-	-	4,151
Deposits	-	3,033	-	3,033
Car Loan Receivable	599	1,536	-	2,135
Other Receivables	2,883	-	-	2,883
Financial Liabilities:				
Insurance Claims Payable	378,395	-	-	378,395
Accounts Payable and Accrued Expenses	90,154	-	-	90,154
Reinsurance Liabilities	26,913	-	-	26,913

It is unusual for a Company primarily transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied in insurance contracts to ascertain the likely provision and time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate and on statistical techniques and past experience.

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Sensitivity analysis of market risk exposures follows:

i. Currency Risk
Foreign currency risk pertains to US$ denominated cash, special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2021 and 2020 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

		2021				2020		
		Phil. Peso		**US $**		Phil. Peso		US $
Cash and Cash Equivalents	**P**	**27,501,356**	**$**	**539,253**	P	47,141,285	$	981,640
HTM Investments		**17,594,655**		**345,000**		16,567,935		345,000
Accrued Investment Income		**329,273**		**6,456**		217,722		4,534
	P	**45,425,284**	**$**	**890,709**	P	63,926,942	$	1,331,174

**The exchange rate used was P50.999 in 2021 and P48.02 in 2020 to US$ 1.00*

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

		2021				2020		
Effect on		**Net Income**		**Equity**		Net Income		Equity
5% appreciation	**P**	**1,876,671**	**P**	**2,046,597**	P	2,271,559	P	1,590,091
5% depreciation		**(1,876,671)**		**(2,046,597)**		(2,271,559)		(1,590,091)

ii. Interest Rate Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

		As of December 31, 2021				
		Due in				
	Interest Rate	**< 1 year**		**> 1 year but <5 years**		**> 5 years**
Financial Assets that are:						
Cash and Cash Equivalents	**.0001% - 6.25%**	**P 416,947,484**	**P**	**-**	**P**	**-**
Short-term Investments	**.375% - .625%**	**2,505,827**		**-**		**-**
HTM	**3.383% - 8.125%**	**36,199,800**		**241,750,000**		**326,576,855**

		As of December 31, 2020				
		Due in				
	Interest Rate	< 1 year		> 1 year but <5 years		> 5 years
Financial Assets that are:						
Cash and Cash Equivalents	.0001% - 6.25%	P 494,233,746	P	-	P	-
Short-term Investments	1% - 1.5%	2,487,920		-		-
HTM	3.5% - 8.125%	-		167,452,715		298,197,220

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax
2021	**+ 100**	**P 4,567,951**
	- 100	**(4,567,951)**
2020	+ 100	P 3,072,342
	- 100	(3,072,342)

iii. Price Risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as "The Insurance Code of the Philippines (the Code)". The Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Code further provides, among other things that insurance companies may only invest in stocks of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.

Beyond the provisions of the Code, the Company has established additional guidelines to control the risks inherent in equity investments. The Company's investment policy requires that they invest only in shares of companies that are listed in the Philippine Stock Exchange. Further, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

	Impact on Equity	
Percentage Change in Market Prices	**2021**	2020
Stock Market		
5% - increase	**P 9,076,070**	P 4,827,154
5% - decrease	**(9,076,070)**	(4,827,154)
Debt Market		
2% - increase	**12,090,533**	9,312,999
2% - decrease	**(12,090,533)**	(9,312,999)

iv. Operational Risk

Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

Capital Management and Net Worth Requirement
The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The company regards the following as the capital it manages as at December 31, 2021 and 2020.

	2021	2020
Share Capital	**P 619,041,500**	P 619,041,500
Share Premium	**5,774,774**	5,774,774
Contingency Surplus	**11,142,587**	11,142,587
Retained Earnings	**415,908,770**	369,567,097
	P 1,051,867,631	P 1,005,525,958

Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
P 550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

In 2020, the shareholders subscribed and fully paid for 2,970,297 shares totaling P297,029,700, bringing the Company's net worth to P1,016,202,362, resolving its capital deficiency based on the P900 million minimum net worth requirement set by the Insurance Commission (IC) as at the end of 2019. (See Note 22)

In the IC's official synopsis for 2020, it confirmed the Company's net worth at P990,333,146. With its registered net income for the year of P46,341,673, the Company estimates its net worth for IC compliance at P1,036,674,819, excluding the impact of property valuations and favorable / (unfavorable) market valuations of its financial assets and liabilities.

Risk-Based Capital Requirement
The IC has adopted a three (3) pillar risk-based approach to solvency which comprise the following:

- Quantitative requirements in relation to the calculation of capital requirements and recogition of eligible capital;
- Governance and risk management requirement that consists of supervisory review process which may include a supervisory adjustment to capital; and

- Disclosure requirement designed to encourage market discipline.

The minimum RBC ratio is set at 100% which are requried to be maintained at all times. Failure to meet the minimum RBC ratio shall subject the Company to the corresponding regulatory intervention which has been defined at various levels as follows:

- Company Action Event – the RBC is less than 100% but not below 75%, the Company is required to identify the conditions that contributed to the event and will provide corrective actions that company intend to take including future projections of financial position and analysis of operations.
- Regulatory Action Event – the RBC is less than 75% but not below 50%, the Company is required to submit an RBC plan and IC will perform an examination of the Company including its RBC plan.
- Authorized and Mandatory Control Event – the RBC is less than 50. The Company is placed under the regulatory control of IC.

The RBC ratio is calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of Net Worth and RBC Ratio as at December 31, 2021 in comparison to actual figures as confirmed in the IC Synopsis for 2020 revealed the following:

	2021	2020
Networth	**P 1,057,169,503**	P 990,333,146
RBC Requirement	**496,612,767**	490,652,570
RBC Ratio	**213%**	202%

In the IC's financial synopsis for the calendar year ending December 31, 2020, the Company's RBC ratio was 201.84%.

The computation of RBC is based on the regulatory accounting policy in accordance the Philippine Insurance Code. The RBC can be determined only after the accounts of the Company have been examined by the IC.

8. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on Hand	**P 4,790,103**	P 4,347,927
Cash in Banks	**135,296,010**	124,530,396
Cash Equivalents	**281,651,474**	369,703,350
	P 421,737,587	P 498,581,673

Cash on Hand represents deposit in transit, petty cash fund, commission fund and various branch operating funds while Cash in banks represent cash deposited in various reputable local banks that earn interests at the respective banks' deposit rates.

Cash Equivalents are short-term placements made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements' rates.

Cash in Bank and Cash Equivalents earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P1,994,696 in 2021 and P1,586,463 in 2020. (See Note 25)

9. Short-term Investments

This account consists of time deposit with maturity of more than three months but less than one year from the date acquired. As of December 31, 2021 and 2020, the balance of short-term investments amounted to P2,505,827 and P2,487,920 respectively.

Short-term investments earn interest at annual interest rates ranging from .375% to .625% and 1% to 1.5%, in 2021 and 2020, respectively. Interest income earned on these investments amounted to P18,493 in 2021 and P21,061 in 2020. (See Note 25)

10. Financial Assets

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is provided below:

	December 31, 2021		
	AFS	**HTM**	**Total**
Balance, January 1	**P 110,663,088**	**P 461,975,101**	**P 572,638,189**
Acquisitions	**70,291,883**	**137,850,000**	**208,141,883**
Changes in Fair Value	**14,586,421**	**-**	**14,586,421**
Amortization of Premium/Discount	**-**	**(166,287)**	**(166,287)**
Changes in Foreign Exchange	**-**	**1,026,720**	**1,026,720**
Balance, December 31	**P 195,541,392**	**P 600,685,534**	**P 796,226,926**

	December 31, 2020		
	AFS	HTM	Total
Balance, January 1	P 96,866,714	P 459,554,817	P 556,421,531
Acquisitions	32,681,212	37,970,000	70,651,212
Sale/Maturity	(15,017,800)	(36,466,287)	(51,484,087)
Changes in Fair Value	(3,867,038)	-	(3,867,038)
Amortization of Discount	-	916,571	916,571
Balance, December 31	P 110,663,088	P 461,975,101	P 572,638,189

Available-for-Sale Financial Assets
The breakdown of this account is as follows:

	2021	2020
Acquisition Cost:		
Listed Equity Securities	**P 170,533,199**	P 100,241,315
Mutual Funds	**10,000,000**	10,000,000
Time Deposits	**14,000,000**	14,000,000
Unlisted Equity Securities	**120,000**	120,000
	194,653,199	124,361,315
Changes in Fair Value:		
Equity Securities	**2,752,027**	(11,752,303)
Mutual Funds	**(1,863,834)**	(1,945,924)
	888,193	(13,698,227)
	P 195,541,392	P 110,663,088

Available-for-sale financial assets represent investment with banks and other private Companies. The figure shown in the financial statements represents the market value of the available-for-sale financial assets as of financial reporting date.

Realized gains on these investments reported in the statements of income are as follows:

	2021	2020
Dividend Income	**P 971,524**	P 396,728
Gain on Sale of Equity Securities	**-**	2,397,263

The value of equity investments is based on either the market value recommended by the Insurance Commission (IC), market value in the stock exchange as of December 31, 2021 and 2020, or book value based on the latest audited financial statements of the investee company.

The effect on actual earnings of any fluctuation in market value of investments in shares of stock will depend on the market prices of these investments at the time of sale.

The reconciliation of unrealized fair value gains (losses) are as follows:

	2021	2020
Balance at the beginning of the year	**P (13,698,227)**	P (9,831,189)
Fair value adjustments taken to:		
Other Comprehensive Income	**14,586,421**	(3,867,038)
	P 888,194	P (13,698,227)

Held-to-Maturity Financial Assets
The breakdown of this account is as follows:

	2021	2020
Government Securities		
Local Currency	**P 395,082,000**	P 370,082,000
Foreign Currency	**7,394,855**	6,965,220
Corporate Bonds		
Local Currency	**191,850,000**	79,000,000
Foreign Currency	**10,199,800**	9,602,715
	604,526,655	465,649,935
Unamortized Discounts, Net of Premium	**(3,841,121)**	(3,674,834)
	P 600,685,534	P 461,975,101

Government securities has a maximum term of 19 years with coupon rates ranging from 3.500% to 8.125%. Government securities with face value of P270.06 million in 2021 and P231.26 million in 2020, are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate bonds are issued by various private corporations for a period ranging from 1 year to 10 years and bears interest at the rate of 3.383% to 7.818% payable quarterly or semi-annually.

The net changes in unamortized (premium)/discount is charged to interest (expense)/income amounting to (P166,287) in 2021 and (P180,147) in 2020.

The contractual maturities of Held-to-Maturity investments are as follows:

	2021	2020
Due within 12 months	**P 36,199,800**	P -
Due after 1 year but not less than 5 years	**241,750,000**	167,452,715
Due beyond 5 years.	**326,576,855**	298,177,220
	P 604,526,655	P 465,629,935

11. Insurance Balance Receivables

The breakdown of this account is as follows:

	2021	2020
Due from Agents and Brokers	**P 229,195,172**	P 212,187,995
Due from Ceding Companies	**2,988,278**	1,641,091
	P 232,183,450	P 213,829,086

Insurance Balance Receivables are recognized when due and measured on initial recognition at the fair value of consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance balance receivables is the present value of estimated future cash flows discounted at the original effective interest rate.

The fair values of these receivables are not individually determined as the carrying amount is a reasonable approximation of fair value.

12. Reinsurance Assets

This account consists of:

		2021		2020
Reserve for Reinsurance Premium (see Note 18)	**P**	**77,357,720**	P	72,095,843
Reinsurance Recoverable on:				
Paid Losses		**76,623,037**		75,914,252
Unpaid Losses (see Note 19)		**208,269,366**		179,311,843
	P	**362,250,123**	P	327,321,938

As at December 31 2021 and 2020, management believes that reinsurance assets are fully recoverable and that no impairment loss is necessary.

13. Investment Properties

As of December 31, this account consists of:

2021		**Real Estate**		**Revaluation Increment**		**Total**
Costs						
At January 1, 2021	**P**	**34,103,875**	**P**	**59,489,625**	**P**	**93,593,500**
Additions		**-**		**908,200**		**908,200**
At December 31, 2021		**34,103,875**		**60,397,825**		**94,501,700**
Accumulated Depreciation and Impairment Losses						
At January 1, 2021		**-**		**-**		**-**
Provisions		**-**		**-**		**-**
At December 31, 2021		**-**		**-**		**-**
Net Carrying Value						
At December 31, 2021	**P**	**34,103,875**	**P**	**60,397,825**	**P**	**94,501,700**

2020		Real Estate		Revaluation Increment		Total
Costs						
At January 1, 2020	P	34,103,875	P	55,233,375	P	89,337,250
Additions		-		4,256,250		4,256,250
At December 31, 2020		34,103,875		59,489,625		93,593,500
Accumulated Depreciation and Impairment Losses						
At January 1, 2020		-		-		-
Provisions		-		-		-
At December 31, 2020		-		-		-
Net Carrying Value						
At December 31, 2020	P	34,103,875	P	59,489,625	P	93,593,500

The increase in carrying value of Investment Properties amounting to P908,200 in 2021 and P4.2 million in 2020 arose from the appraisal conducted on these properties (See Note 6). The same is reported as *Unrealized Gain in Fair Value of Investment Properties* in the Statement of Income.

Details is as follows:

		2021		2020
Land				
Gen. Santos City	**P**	**15,181,000**	P	14,734,500
Cauayan, Isabela		**6,600,000**		6,300,000
Condominium units				
Pasig City		**51,366,700**		51,205,000
Cebu City		**21,354,000**		21,354,000
	P	**94,501,700**	P	93,593,500

Investment properties are leased out to third parties under terms and conditions mutually agreed upon by the Company and the tenants. Rental Income on these properties amounted to P3,612,874 in 2021 and P3,590,885 in 2020. Direct cost relating to the lease excluding depreciation expense amounted to P161,700 in 2021 and P443,204 in 2020.

14. Property and Equipment - Net

The breakdown of this account is as follows:

2021	**Real Estate**	**Revaluation Increment**	**Office Improvements**	**Furniture, Fixtures & Office Equipment**	**EDP Equipment**	**Transportation Equipment**	**Total**
Costs							
At January 1, 2021	**P 89,711,196**	**P 53,941,804**	**P 6,016,270**	**P 6,005,821**	**P 53,568,483**	**P 2,430,633**	**P 211,674,207**
Additions	**-**	**-**	**572,950**	**723,895**	**4,868,204**	**271,429**	**6,436,478**
Revaluation	**-**	**154,300**	**-**	**-**	**-**	**-**	**154,300**
At December 31, 2021	**89,711,196**	**54,096,104**	**6,589,220**	**6,729,716**	**58,436,687**	**2,702,062**	**218,264,985**
Accumulated Depreciation and Impairment Losses							
At January 1, 2021	**-**	**-**	**5,880,994**	**5,054,478**	**41,506,059**	**1,668,055**	**54,109,586**
Provisions	**-**	**-**	**82,329**	**497,187**	**4,659,345**	**361,419**	**5,600,280**
At December 31, 2021	**-**	**-**	**5,963,323**	**5,551,665**	**46,165,404**	**2,029,474**	**59,709,866**
Net Carrying Value							
At December 31, 2021	**P 89,711,196**	**P 54,096,104**	**P 625,897**	**P 1,178,051**	**P 12,271,283**	**P 672,588**	**P 158,555,119**

2020	Real Estate	Revaluation Increment	Office Improvements	Furniture, Fixtures & Office Equipment	EDP Equipment	Transportation Equipment	Total
Costs							
At January 1, 2020	P 89,711,196	P 49,004,504	P 6,016,270	P 5,854,603	P 50,033,190	P 2,430,633	P 203,050,396
Additions	-	-	-	151,218	3,535,293	-	3,686,511
Revaluation	-	4,937,300	-	-	-	-	4,937,300
At December 31, 2020	89,711,196	53,941,804	6,016,270	6,005,821	53,568,483	2,430,633	211,674,207
Accumulated Depreciation and Impairment Losses							
At January 1, 2020	-	-	5,815,437	4,481,205	37,675,175	1,156,877	49,128,694
Provisions	-	-	65,557	573,273	3,830,884	511,178	4,980,892
At December 31, 2020	-	-	5,880,994	5,054,478	41,506,059	1,668,055	54,109,586
Net Carrying Value							
At December 31, 2020	P 89,711,196	P 53,941,804	P 135,276	P 951,343	P 12,062,424	P 762,578	P 157,564,621

Depreciation of Property and Equipment charged to operations amounted to P5,600,280 in 2021 and P4,980,892 in 2020.

15. Deferred Acquisition Costs (DAC) and Deferred Commission Income (DCI)

Movements of this account during the year are as follows:

2021		**Deferred Commision Expense**		**Deferred Commision Income**		**Net DAC**
Balances, beginning	**P**	**71,849,368**	**P**	**9,393,996**	**P**	**62,455,372**
Net changes in acquisition cost (see Note 27)		**7,836,834**		**1,007,330**		**6,829,504**
	P	**79,686,202**	**P**	**10,401,326**	**P**	**69,284,876**

2020		Deferred Commision Expense		Deferred Commision Income		Net DAC
Balances, beginning	P	75,632,894	P	10,832,632	P	64,800,262
Net changes in acquisition cost (see Note 27)		(3,783,526)		(1,438,636)		(2,344,890)
	P	71,849,368	P	9,393,996	P	62,455,372

As at December 31 2021 and 2020, management believes that DAC are fully recoverable and that no impairment loss is necessary.

16. Accrued Investment Income

The sources of this account are as follows:

		2021		2020
Accrued Interest on:				
Government Securities	**P**	**2,567,260**	P	2,469,547
Corporate Bonds		**1,135,471**		575,046
	P	**3,702,731**	P	3,044,593

17. Other Assets

This account consists of:

		2021		2020
Advances to Employees	**P**	**3,318,515**	P	4,150,704
Deposits		**3,065,113**		3,033,320
Accounts Receivable		**2,611,813**		2,541,540
Prepayments		**2,202,140**		2,574,412
Car Loan Receivable		**1,142,466**		2,135,533
Other Receivables		**201,251**		292,752
Creditable Withholding Tax		**12,031**		1,070,418
Security Fund		**48,439**		48,439
Due from Related Parties (see Note 31)		**26,000**		14,000
	P	**12,627,768**	P	15,861,118

Deposits pertain to amounts deposited by the Company with servicing utility companies and with lessor companies for such properties the Company leases to house its branch operations and other similar facilities which are refundable at its full values beyond one year or upon cessation of its contracts with the respective service or lessor companies. Interest earned by the Company on select deposit arrangements are recognized as other income in its Statement of Income in the year these are earned.

Security Fund represent the contributions of the Company to the Security Fund, Non-Life Account administered by the Office of the Insurance Commission. The contributing insurance companies share earnings of the fund proportionately.

Other assets also include receivables, tax assets and prepayments made by the Company on account of transactions which directly or indirectly form part of the conduct of its regular operations. These are either receivables which the Company reasonably expects to collect or utilize as tax credits within a year from its statement of financial position date, if not are advance payments for regular operating expenses.

18. Reserve for Unearned Premiums

The analysis of this account is as follows:

	2021			2020		
	Gross Premium	**Ceded Business**	**Net Retained**	Gross Premium	Ceded Business	Net Retained
Balances, January 1	**P 362,281,753**	**P 72,095,843**	**P 290,185,910**	P 358,753,957	P 79,977,505	P 278,776,452
Policies Written During the Year	**833,292,717**	**160,468,519**	**672,824,198**	710,501,145	139,779,623	570,721,522
Premiums Earned During the Year	**(761,768,415)**	**(155,206,642)**	**(606,561,773)**	(706,973,349)	(147,661,285)	(559,312,064)
	P 433,806,055	**P 77,357,720**	**P 356,448,335**	P 362,281,753	P 72,095,843	P 290,185,910

In accordance with IC circular 2016-67, Premium liabilities for each class of business shall be determined as the higher of Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR). UPR is calculated using the 24^{th} method for all classes of business, on a gross of reinsurance basis. URR is calculated as the best estimate of future obligation, expenses for policy management and claims settlement cost. URR may be estimated as the unearned premium for each class of business multiplied by the ultimate loss ratio and adjusted for future expenses.

The comparative actuarial valuation result for premium liabilities for the year ended December 31, 2021 and 2020 is as follows:

	Gross	
	2021	2020
UPR (a)	**P 433,806,055**	P 362,281,753
URR (b)		
Best Estimate of Future Obligation	**192,423,000**	208,056,000
Maintenance Expenses	**30,559,000**	-
Claims Handling Expenses	**2,352,000**	-
Margin for Adverse Deviation	**21,325,740**	18,946,183
	246,659,740	227,002,183
Premium Liability (whichever is higher between a and b)	**P 433,806,055**	P 362,281,753

19. Insurance Claims Payable

Outstanding claims become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders are ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertainty as to whether an event that occurred could give rise to a policyholder suffering an insured loss:
- Uncertainty as to the extent of the policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

The analysis of this account is shown below:

	2021			2020		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Balances, January 1	**P 378,395,319**	**P 179,311,843**	**P 199,083,476**	P 252,246,489	P 121,186,580	P 131,059,909
Claims and Losses Incurred - Net of Recoveries	**334,727,521**	**69,704,154**	**265,023,367**	327,191,591	87,948,546	239,243,045
Provision for Incurred but not Reported Claims	**(12,973,732)**	**(3,921,078)**	**(9,052,654)**	(4,859,955)	(10,465,426)	5,605,471
Claims and Losses Paid - Net of Recoveries	**(260,127,709)**	**(36,825,553)**	**(223,302,156)**	(196,182,806)	(19,357,857)	(176,824,949)
	P 440,021,399	**P 208,269,366**	**P 231,752,033**	P 378,395,319	P 179,311,843	P 199,083,476

In accordance with IC circular 2016-67, claims liabilities for both direct business, assumed treaty and reinsurance business shall be calculated as the sum of outstanding claims reserve, claims handling expenses and IBNR.

Claims handling expenses is computed on a net insurance basis using the Kittle's Refinement to the Classical Paid-to-Paid Ratio Method that explicitly recognized that claims handling expenses is incurred as claims are reported, even if no loss payments are made.

MfAD is included to allow the inherent uncertainty of the best estimate of the policy reserves and to consider the variability of claims experience with a class of business, the diversification between classes of business and conservatism in the best estimate.

The actuarial valuation result for Claims Liabilities for the year ended December 31, 2021 and 2020 is as follows:

	Gross	
	2021	2020
Outstanding Claims Reserve	**P 341,387,607**	P 295,961,820
Claims Handling Expense	**32,192,163**	26,540,923
IBNR	**23,774,000**	12,490,000
Mfad	**42,667,629**	43,402,576
	P 440,021,399	P 378,395,319

	Net of Reinsurance	
	2021	2020
Outstanding Claims Reserve	**P 173,315,767**	P 155,980,682
Claims Handling Expense	**31,558,765**	25,947,386
IBNR	**16,193,000**	5,697,000
Mfad	**10,684,501**	11,458,408
	P 231,752,033	P 199,083,476

20. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Accrued Expenses	**P 42,894,729**	P 63,207,789
Taxes Payable	**39,812,602**	32,637,058
Premium Deposits	**31,595,323**	19,655,771
Due to Related Parties (see Note 31)	**7,290,465**	7,290,465
Income tax payable	**3,211,032**	-
	P 124,804,151	P 122,791,083

The terms and conditions of these accounts are as follows:

Taxes Payable represent documentary stamps, net output vat, deferred output vat, premium taxes and other local government taxes, other than income tax payable, outstanding as of the Statement of Financial Position date which are due within the first quarter of the following year.

Accrued Expenses represent current liabilities due to various suppliers outstanding as of the Statement of Financial Position date, representing expenses, shared or otherwise direct expenses incurred in its normal course of operation.

Premium Deposits represent collection of advance premium payments for new and existing insurance policy renewals, subsequently netted out from premium receivable upon policy issuance.

Management believes that the carrying amounts are the reasonable approximation of their fair values as at December 31, 2021 and 2020.

21. Reinsurance Liabilities

The movements of this account are as follows:

	As of December 31, 2021		
	Due to Reinsurers	**Funds Held for Reinsurers**	**Total**
Balance at the beginning of year	**P 22,086,359**	**P 4,826,409**	**P 26,912,768**
Additions	**138,500,861**	**6,786,198**	**145,287,059**
Reductions	**(119,778,811)**	**(9,079,267)**	**(128,858,078)**
Balance at the end of year	**P 40,808,409**	**P 2,533,340**	**P 43,341,749**

	As of December 31, 2020		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at the beginning of year	P 19,388,220	P 2,523,755	P 21,911,975
Additions	136,178,193	4,826,409	141,004,602
Reductions	(133,480,054)	(2,523,755)	(136,003,809)
Balance at the end of year	P 22,086,359	P 4,826,409	P 26,912,768

22. Equity

Share Capital
The Company's capital structure as at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized - P100 par value share	**7,000,000**	**P 700,000,000**	7,000,000	P 700,000,000
Issued and outstanding, January 1	**6,190,415**	**619,041,500**	3,220,118	322,011,800
Issuance during the year	**-**	**-**	2,970,297	297,029,700
Isusued and outstanding, December 31	**6,190,415**	**P 619,041,500**	6,190,415	P 619,041,500

As at December 31, 2021 and 2020, the Company has 29 stockholders owning 100 or more shares each.

Share Premium
Share Premium amounting to P5,774,774 was recognized in 2003 as a result of the merger of the Company and Citystate Insurance Corporation.

Contingency Surplus
This represents the contributions of the shareholders in order to comply with the capital requirements of the Insurance Code. This can be withdrawn only upon approval of the IC. As of December 31, 2021, and 2020, the Company's contingency surplus amounted to P11,142,587. The Company intends to convert this surplus to paid-up capital in the future.

23. Insurance Contracts – Terms, Assumption and Sensitivities

Terms and Conditions
The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR claims) are established to cover the ultimate cost of settling the liabilities with respect to claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are reviewed quarterly as part of a regular ongoing process as claims experience develops; certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projections of future claims through the use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar businesses are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, relatively claims are usually assessed by third party Loss Adjusters engaged by the Company.

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions with respect to average claim costs, claim handling costs, claims inflation factors, and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, climatic changes and government legislation affect the estimates. Other key assumptions include variation in interest and delays in settlement.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. There are select sensitivities to certain variables such as legislative changes and inherent uncertainties in the estimation process which are impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Since certain proportional reinsurance facilities are in place, the Company's net exposure to these sensitivities is minimal. The Company considers that the liability recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome. Sensitivity tests are set out below, showing the impact on profit and loss and equity.

% Change in	Impact on Income		Impact on Equity	
Loss Ratio	**2021**	2020	**2021**	2020
+5%	**P 12,808,781**	P 12,259,352	**P 8,966,147**	P 8,581,546
-5%	**(12,808,781)**	(12,259,352)	**(8,966,147)**	(8,581,546)

Loss Development Table

Loss development table for the year 2021, gross and net of the reinsurer's share is as follows:

Gross Insurance Contract Liabilities in 2021

Accident Year	2011 and prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of Ultimate Claim Cost												
At the End of Accident Year	P317,885,169	P329,458,927	P335,544,315	P206,155,126	P251,207,318	P206,696,220	P220,382,977	P265,505,406	P340,160,703	P256,771,755	P406,951,779	P 406,951,779
One Year Later	311,915,521	280,040,473	322,540,153	185,333,542	248,745,125	214,178,350	226,222,724	271,533,135	401,288,377	262,559,728	-	262,559,728
Two Years Later	280,302,197	272,232,663	263,461,982	176,971,781	239,927,875	200,556,212	220,722,581	265,412,715	380,104,631	-	-	380,104,631
Three Years Later	276,049,934	269,979,583	253,406,464	174,671,966	235,662,187	200,841,460	245,225,631	264,852,455	-	-	-	264,852,455
Four Years Later	272,484,915	273,294,699	251,543,149	173,153,008	233,698,328	201,390,475	245,775,674	-	-	-	-	245,775,674
Five Years Later	270,541,033	271,328,528	250,784,458	172,543,280	233,531,731	201,341,139	-	-	-	-	-	201,341,139
Six Years Later	270,001,670	269,059,633	250,539,358	172,437,829	233,646,031	-	-	-	-	-	-	233,646,031
Seven Years Later	267,596,937	269,055,087	250,485,908	172,826,946	-	-	-	-	-	-	-	172,826,946
Eight Years Later	267,538,533	269,048,025	250,619,767	-	-	-	-	-	-	-	-	250,619,767
Nine Years Later	269,401,724	269,048,025	-	-	-	-	-	-	-	-	-	269,048,025
Ten Years Later	267,513,178	-	-	-	-	-	-	-	-	-	-	267,513,178
Total	267,513,178	269,048,025	250,619,767	172,826,946	233,646,031	201,341,139	245,775,674	264,852,455	380,104,631	262,559,728	406,951,779	2,955,239,354
Cumulative Payments to Date	266,981,731	269,032,925	250,005,411	172,105,868	232,925,377	199,833,759	216,296,582	262,813,904	285,485,643	219,867,561	139,869,194	2,515,217,955
Liability Recognized in the Statements of Financial Position	P 531,447	P 15,100	P 614,356	P 721,077	P 720,655	P 1,507,380	P 29,479,092	P 2,038,552	P 94,618,988	P 42,692,167	P267,082,586	P 440,021,399

Net Insurance Contract Liabilities in 2021

Accident Year	2011 and prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of Ultimate Claim Cost												
At the End of Accident Year	P262,585,807	P226,856,648	P203,239,159	P157,828,732	P180,118,221	P195,254,838	P205,531,394	P234,764,705	P258,291,994	P194,047,001	P281,395,779	P 281,395,779
One Year Later	243,337,557	214,220,795	206,273,208	170,077,302	197,414,109	195,235,850	216,064,016	247,099,330	295,639,003	215,083,109	-	215,083,109
Two Years Later	235,272,923	210,446,247	199,846,275	163,677,758	190,647,522	183,202,015	210,863,414	241,928,203	282,382,288	-	-	282,382,288
Three Years Later	235,286,624	208,266,927	196,298,586	161,313,324	187,117,961	182,354,729	235,369,538	241,478,858	-	-	-	241,478,858
Four Years Later	234,812,188	209,938,062	194,897,338	159,874,816	186,234,671	182,900,608	235,868,394	-	-	-	-	235,868,394
Five Years Later	233,620,432	209,614,574	194,424,021	159,658,688	185,613,820	183,356,509	-	-	-	-	-	183,356,509
Six Years Later	233,058,441	208,932,229	194,294,822	159,589,597	185,720,161	-	-	-	-	-	-	185,720,161
Seven Years Later	230,681,265	208,930,065	194,269,906	159,603,898	-	-	-	-	-	-	-	159,603,898
Eight Years Later	230,664,056	208,923,002	194,283,228	-	-	-	-	-	-	-	-	194,283,228
Nine Years Later	231,590,326	208,923,002	-	-	-	-	-	-	-	-	-	208,923,002
Ten Years Later	230,597,381	-	-	-	-	-	-	-	-	-	-	230,597,381
Total	230,597,381	208,923,002	194,283,228	159,603,898	185,720,161	183,356,509	235,868,394	241,478,858	282,382,288	215,083,109	281,395,779	2,418,692,608
Cumulative Payments to Date	230,108,991	208,907,902	193,789,410	159,257,636	185,513,718	182,500,376	206,503,512	240,897,196	251,059,815	189,776,394	138,625,623	2,186,940,574
Liability Recognized in the Statements of Financial Position	P 488,390	P 15,100	P 493,819	P 346,262	P 206,443	P 856,133	P 29,364,881	P 581,662	P 31,322,473	P 25,306,716	P142,770,156	P 231,752,033

24. Premiums

Analysis of premiums is as follows:

2021	**Direct and Assumed**	**Ceded Business**	**Net Premiums Retained**
Premiums Written	**P 833,292,717**	**P 160,468,519**	**P 672,824,198**
Changes in Unexpired Risk	**(71,524,302)**	**(5,261,877)**	**(66,262,425)**
Net	**P 761,768,415**	**P 155,206,642**	**P 606,561,773**

2020	Direct and Assumed	Ceded Business	Net Premiums Retained
Premiums Written	P 710,501,145	P 139,779,623	P 570,721,522
Changes in Unexpired Risk	(3,527,796)	7,881,662	(11,409,458)
Net	P 706,973,349	P 147,661,285	P 559,312,064

25. Interest and Other Investment Income

Sources of interest income are as follows:

		2021		2020
HTM Financial Assets	**P**	**19,651,033**	P	18,882,777
Cash and Cash Equivalents (see Note 8)		**1,994,696**		1,586,463
Short-term Investments (see Note 9)		**18,493**		21,016
	P	**21,664,222**	P	20,490,256

Other investment income consists of:

		2021		2020
Rental Income (see Note 13)	**P**	**3,612,873**	P	3,590,885
Gain on Sale of Debt and Equity Securities		**1,152,561**		2,534,721
Dividend Income		**971,524**		396,728
Other Income		**94,770**		132,224
	P	**5,831,728**	P	6,654,558

26. Claims, Losses and Adjustment Expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

	For the year ended December 31, 2021		
	Direct and Assumed	**Recoveries**	**Net**
Claims and Losses	**P 258,447,759**	**P 35,371,508**	**P 223,076,251**
Loss Adjustment Expenses	**1,679,950**	**1,454,045**	**225,905**
	P 260,127,709	**P 36,825,553**	**P 223,302,156**

	For the year ended December 31, 2020		
	Direct and Assumed	Recoveries	Net
Claims and Losses	P 194,231,042	P 18,556,183	P 175,674,859
Loss Adjustment Expenses	1,951,764	801,674	1,150,090
	P 196,182,806	P 19,357,857	P 176,824,949

27. Commission Expense and Commission Income

The composition of this account is as follows:

	2021		2020	
	Commission Expense	**Commission Income**	Commision Expense	Commission Income
Direct Business	**P 150,905,619**	**P 19,256,002**	P 145,122,458	P 19,246,235
Reinsurance Business	**8,607,147**	**212,116**	8,251,609	388,382
Total	**159,512,766**	**19,468,118**	153,374,067	19,634,617
Increase/(Decrease) in DAC/DCI *(see Note 15)*	**(7,836,834)**	**(1,007,330)**	3,783,526	1,438,636
	P 151,675,932	**P 18,460,788**	P 157,157,593	P 21,073,253

Standard commission rate for direct and reinsurance business ranges from 5% to 35%.

28. General and Administrative Expenses

General and administrative expenses consist of:

		2021		2020
Salaries and Other Employee Benefits	**P**	**93,021,102**	P	95,404,507
Taxes and Licenses		**17,192,739**		10,971,660
Agency Expenses		**12,221,357**		441,175
EDP Expenses		**10,751,322**		5,891,259
Contracted Services		**7,828,379**		7,286,918
Occupancy Cost		**7,817,679**		6,785,060
Depreciation		**5,600,280**		4,980,892
Audit Expense		**4,788,451**		3,501,540
Legal Expenses		**3,936,158**		397,067
Representation and Entertainment		**3,669,278**		2,814,741
Marketing Incentives and Business Development		**3,519,916**		4,196,978
Transportation and Travel		**3,178,366**		3,148,662
Printing and Office Supplies		**2,875,725**		3,048,889
Light and Water		**2,769,172**		2,828,495
Directors' Fee		**2,521,200**		1,124,400
Insurance		**2,106,550**		1,674,480
Telephone and Telegrams		**1,778,748**		2,491,090
Advertising and Promotions		**1,681,061**		1,576,107
Professional Fees		**1,529,817**		1,279,467
Postage and Freight		**1,144,693**		1,055,188
Dues and Assessments		**956,541**		947,853
Bank Charges		**628,709**		317,773
Repairs and Maintenance		**534,846**		364,933
Collection Related Charges		**322,793**		269,935
Interest Expense		**118,435**		377,535
Provision for Impairment Losses		**-**		5,358,169
Donations and Contributions		**-**		675,000
Miscellaneous		**143,115**		95,092
	P	**192,636,432**	P	169,304,865

29. Retirement Benefit Cost

The Company has a non-contributory defined benefit type retirement plan which provides a retirement benefit equal to one month's pay for every year of service based on the member's salary at the time of retirement. The benefit is paid in lump sum upon retirement or separation in accordance with the terms of the plan. Contribution to the plan and earnings thereof are managed by a trustee. The Plan has no specific matching strategy between the Plan asset and the Plan liabilities. The Company is not required to pre-fund the defined benefit obligation payable under the plan before they become due. The amount and timing of contribution to the plan asset are at the Company's discretion. However, in the event a benefit claim arises and the plan asset is insufficient to pay the claim, the shortfall will then be due and payable to the plan asset.

The following information summarizes the components of the defined benefit costs, the unfunded status and the amounts recognized as defined benefit obligation.

The retirement benefits recognized in the statement of income is as follows:

		2021		2020
Current Service Cost	**P**	**3,595,888**	P	4,319,241
Net Interest Cost		**747,825**		1,472,255
Defined Benefit Cost Recognized in Profit and Loss	**P**	**4,343,713**	P	5,791,496

**Included as Part of Salaries and Other Employee Benefits*

Remeasurement loss on defined benefit obligation recognized in the statement of financial position is as follows:

		2021		2020
Remeasurement Loss, Beginning	**P**	**(19,120,901)**	P	(26,115,063)
Actuarial Gain (Loss) on Retirement Benefit Obligation		**(1,216,430)**		6,994,162
Remeasurement Loss, Ending		**(20,337,331)**		(19,120,901)
Less: Deferred Tax Effect		**5,084,333**		5,736,270
	P	**(15,252,998)**	P	(13,384,631)

The net defined benefit obligation recognized in the statement of financial position is as follows:

		2021		2020
Present Value of Obligation	**P**	**51,354,729**	P	53,465,316
Fair Value of Plan Asset		**33,063,738**		33,629,097
	P	**18,290,991**	P	19,836,219

The changes in the present value of defined benefit obligation are as follows:

		2021		2020
Balance at the Beginning of the Year	**P**	**53,465,316**	P	61,749,804
Interest Cost		**2,015,642**		3,229,515
Current Service Cost		**3,595,888**		4,319,241
Benefits Paid		**(10,201,449)**		(8,562,218)
Remeasurement Gain (Loss)		**2,479,332**		(7,271,026)
	P	**51,354,729**	P	53,465,316

The changes in the fair value of plan asset are as follows:

		2021		2020
Balance at the Beginning of the Year	**P**	**33,629,097**	P	33,599,621
Expected Return on Plan Asset		**1,267,817**		1,757,260
Contributions		**7,105,371**		7,111,297
Benefits Paid		**(10,201,449)**		(8,562,218)
Remeasurement Gain (Loss)		**1,262,902**		(276,863)
	P	**33,063,738**	P	33,629,097

The allocation of the plan asset is as follows:

	2021	2020
Cash in Bank	**21.83%**	0.48%
Fixed Income	**66.70%**	0.00%
Equity	**10.71%**	0.00%
Investments in Debt and Equity Securities	**0.00%**	95.06%
Loans and Receivables	**0.00%**	4.54%
Liabilities	**0.00%**	-0.08%
Others	**0.76%**	0.00%
	100.00%	100.00%

Plan assets are valued by the fund manager at fair value using the mark-to-market valuation. The Company contributes to the fund depending on the requirements of the plan.

Actuarial assumptions used to determine retirement benefits as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount Rate	**5.00%**	5.23%
Salary Rate Increase	**5.00%**	5.00%

The expected future benefits payment of the plan as at December 31, 2021 and 2020 is as follows:

		2021		2020
1 to 5 years	**P**	**18,117,134**	P	22,250,030
More Than 5 years		**274,975,485**		244,555,219

The sensitivity analysis based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2021 and 2020 is as follows:

		2021		2020
Discount Rate Decrease by 100 bps	**P**	**4,884,632**	P	2,147,216
Discount Rate Increase by 100 bps		**(4,150,336)**		(1,664,784)
Salary Rate Decrease by 100 bps		**(3,902,507)**		(1,654,784)
Salary Rate Increase by 100 bps		**4,501,243**		2,125,206

The sensitivities are expressed as the corresponding change in the Defined Benefit Obligation.

30. Income Taxes

The major components of provision for income tax for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020
Current	**P**	**12,785,654**	P	6,415,601
Deferred		**(3,715,071)**		1,429,833
	P	**9,070,584**	P	7,845,434

The reconciliation of the provision for income tax to the taxable income computed at the applicable statutory tax rates is as follows:

		2021		2020
Statutory Income Tax	**P**	**13,853,064**	P	11,465,533
Adjustment due to changes in tax rate		**(4,249,704)**		-
Income tax effects of:				
Interest Income Subject to Final Tax		**(5,700,558)**		(6,320,139)
Non-deductible Expenses		**5,167,781**		2,700,040
	P	**9,070,583**	P	7,845,434

Significant components of the Company's deferred tax assets and liabilities recognized in the financial statements is as follows:

		2021		2020
Deferred Tax Assets				
Provision for Impairment Losses	**P**	**1,339,542**	P	1,607,451
Provision for Claims Incurred but not Reported		**7,267,516**		5,350,923
Remeasurement Loss on Defined Benefit Obligation		**5,084,333**		5,736,270
Unrealized Loss on Foreign Exchange		-		376,279
		13,691,391		13,070,923
Deferred Tax Liabilities				
Unrealized Gain on Foreign Exchange		**304,692**		-
Revaluation Reserve on Property and Equipment		**13,524,101**		16,182,541
Unrealized Gain in Fair Value of Investment Properties		**15,099,456**		17,846,888
		28,928,249		34,029,429
Net Deferred Tax Liabilities	**P**	**15,236,858**	P	20,958,506

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On February 1, 2021, the Bicameral Conference Committee, approved the House Bill No. 4157 and Senate Bill No.1357 (the CREATE) which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based. CREATE pursues to dynamically fight the effects of COVID-19 and help businesses to recover as quickly as possible.

Among the reforms provided under the CREATE Act are the following:

i. Reduction in current income tax rate effective July 1, 2020 as follows:

- Those with assets amounting to P100 million and below, and with taxable income equivalent to P5 million and below will be subjected to a 20% tax rate.

- Those with assets above P100 million or those with taxable income amounting to more than P5 million will be subjected to a 25% tax rate.

ii. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%)

31. Related Party Transactions

In the normal course of business, the Company transacts with companies which are considered related parties. The summary of the significant transactions with related parties as at December 31, 2021 and 2020 are as follows:

		Amount of Transaction				
Related Party	Nature of Transaction		**2021**		2020	Terms and Condition
Companies Under	**Due from Affiliates**					
Common Control	Premiums Written	**P**	**14,997,271**	P	14,250,322	90 days, payable in cash
	Due to Affiliated Companies					
	Life Insurance					
	Coverage of Employees		**991,421**		812,138	90 days, payable in cash
	Rent of Branch Offices		**4,124,826**		3,344,551	30 days, payable in cash
	Contribution to Retirement Fund		**7,111,297**		7,111,297	30 days, payable in cash
	Healthcare Membership Dues		**1,362,502**		1,258,859	30 days, payable in cash

Details of related party transactions are as follows:

i. Non-life insurance coverages of the Company's various related parties are provided by the Company. Premium rates are comparable with unrelated parties.

   Premiums written is further broken down as follows:

		2021		2020
IC Regulated Entities	**P**	**679,639**	P	774,727
Non- IC Regulated Entities		**14,317,632**		13,475,595
	P	**14,997,271**	P	14,250,322

ii. The Company's branches in Batangas, Cebu and Palawan are leased from related parties for a period of 1 to 5 years. The terms of lease agreement are comparable with third parties.

iii. Life insurance and healthcare membership dues of the Company's officers and employees are provided by Fortune Life Insurance Co., Inc. The terms of the insurance are comparable with third parties.

iv. The Company has deposit accounts with Citystate Savings Bank, Inc., (CSBI) totaling P40,443,577 in 2021 and P58,025,076 in 2020 consisting of savings, current and special savings account. Total interest income earned from these deposit accounts amounted to P872,792 in 2021 and P936,117 in 2020. Interest rates on deposit accounts are comparable with unrelated parties. The Company also hold common shares of CSBI with fair value of P46.3 million in 2021 and P46.5 million in 2020, classified as Available-for-Sale investments. The retirement benefit plan covering the Company's officer and employees are managed by CSBI (see Note 29).

v. Compensation paid to key management personnel amounted to P48.77 million and P48.28 million in 2021 and 2020, respectively. Key management personnel include key officers and senior management officers.

Amounts due to/from related parties as of December 31, 2021 and 2020 are as follows:

		2021		2020
Due from*				
Fortune Life Insurance Co., Inc.	**P**	**26,000**	P	14,000
Fortune Medicare, Inc. *(Net of Allowance for Impairment Losses of P5,358,169 in 2020)*		-		-
	P	**26,000**	P	14,000

Due to**				
Fortune Life Insurance Co., Inc.	**P**	**6,555,837**	P	6,555,837
Citystate Savings Bank, Inc.		**264,540**		264,540
Other related parties		**245,546**		245,546
ALC Realty Development Corp., Inc.		**224,542**		224,542
	P	**7,290,465**	P	7,290,465

**included under Other Assets*

***included under Accounts Payable and Accrued Expenses*

32. Other Significant Matters

1. Applying PFRS 9 *Financial Instruments* with PFRS 4 *Insurance Contracts* (Amendments to IFRS

Qualifying for Temporary Exemption from PFRS 9
The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued on September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
  - Greater than 90 percent; or
  - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting December 31, 2017. Applying the requirements, the Company performed the predominance assessment using the Company's statement of financial position as of December 31, 2017.

The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2017, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 94% of the total carrying amount of all its liabilities, and the Company did not engage into any significant activities not connected with insurance. Since December 31, 2017, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

Fair Value Disclosures
The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2021, as well as the corresponding change in fair value for the year ended December 31, 2021. In the table, the amortized costs of cash and cash equivalents and short-term receivables have been used as reasonable approximations of fair value. The financial assets are divided into two categories:

- Assets on which contractual cash flows represent Solely Payments of Principal and Interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	SPPI Financial Assets		Other Financial Assets	
	Fair Value	Fair Value Change	Fair Value	Fair Value Change
Cash and Cash Equivalents*	P 416,947,484	P -	P -	P -
Short-term Investments	2,505,827	-	-	-
Financial Assets at Amortized Cost:				
HTM	600,685,534	-	-	-
AFS	-	-	195,541,392	-
Insurance Balance Receivables				
Direct and Assumed Accounts	232,183,450	-	-	-
Reinsurance Assets	284,892,403	-	-	-
Accrued Investment Income	3,702,731	-	-	-
Other Receivables	10,413,597	-	-	-
	P 1,551,331,026	P -	P 195,541,392	P -

**excluding Cash on Hand of P4,790,103*

Credit Risk Disclosures
The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown below is before any allowance for impairment losses.

Given the Company's discussion on managing credit risks as disclosed under Note 7, provided below is the Company's assessment of its SPPI assets:

	Total	High	Medium
Cash and Cash Equivalents*	P 416,947,484	P -	P 416,947,484
Short-term Investments	2,505,827	-	2,505,827
HTM:			
Government Securities	399,105,024	-	399,105,024
Corporate Bonds	201,580,510	-	201,580,510
Insurance Balance Receivables			
Direct and Assumed Accounts	232,183,450	-	232,183,450
Reinsurance Assets	284,892,403	-	284,892,403
Accrued Investment Income	3,702,731	-	3,702,731
Other Receivables	10,413,597	-	10,413,597
	P 1,551,331,026	P -	P 1,551,331,026

**excluding Cash on Hand of P4,790,103*

The following table provides information on the fair value and carrying amount under PAS 39 for those SPPI assets that have low credit risk as determined by the Company. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	Fair Value	Carrying Amount
Cash and Cash Equivalents*	P 416,947,484	P 416,947,484
Short-term Investments	2,505,827	2,505,827
HTM:		
Government Securities	399,105,024	399,105,024
Corporate Bonds	201,580,510	201,580,510
Insurance Balance Receivables		
Direct and Assumed Accounts	232,183,450	232,183,450
Reinsurance Assets	284,892,403	284,892,403
Accrued Investment Income	3,702,731	3,702,731
Other Receivables	10,413,597	10,413,597
	P 1,551,331,026	P 1,551,331,026

**excluding Cash on Hand of P4,790,103*

2. *Contingencies*

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims and disputes. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

The Company does not provide further information on these contingencies in order not to impair the outcome of claim and disputes.

3. *Current Assets and Liabilities Distinction*

The Company's current assets and current liabilities are presented below:

The Company classifies all other liabilities as non-current.

	2021	2020
Current Assets		
Cash and Cash Equivalents	**P 421,737,587**	P 498,581,673
Short-term Investments	**2,505,827**	2,487,920
Insurance and Reinsurance Assets	**594,433,573**	541,151,024
Financial Assets - HTM	**36,199,800**	-
Net Deferred Acquisition Cost	**69,284,876**	62,455,372
Accrued Investment Income	**3,702,731**	3,044,593
Other Current Assets	**8,758,892**	11,243,077
	P 1,136,623,286	P 1,118,963,659
Current Liabilities		
Reserve for Unearned Premiums	**P 433,806,055**	P 362,281,753
Insurance Claims Payable	**440,021,399**	378,395,319
Accounts Payable and Accrued Expenses	**124,804,151**	122,791,083
Reinsurance Liabilities	**43,341,749**	26,912,768
	P 1,041,973,354	P 890,380,923

33. Supplementary Information Required under Revenue Regulation 15-2010

The Bureau of Internal Revenue (BIR) issued Revenue Regulation 15-2010 which requires additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2021 is presented in compliance thereto.

- The details of VAT output tax declared in the Company's 2021 VAT returns and their related accounts are as follows:

	Amount Subject to VAT	Output Tax
Premiums	P 540,189,718	P 64,822,766
Commission	10,230,738	1,227,689
Rental Income	3,489,687	418,762
Other Income	1,022,770	122,733
	P 554,932,913	P 66,591,950

- The VAT input tax claimed is broken down as follows:

Balance at the Beginnning of the Year	P -
Current Year's Domestic Purchases/Payments for:	
Capital Goods not Exceeding P1 Million	141,926
Capital Goods Exceeding P1 Million	313,248
Goods Other Than Capital Goods	457,583
Services	16,583,966
Others	7,620,161
Applied Against Output tax	(25,116,884)
	P -

- The premium tax on personal accident insurance paid and accrued amounted to P3,137,254.

- The documentary stamp tax paid/accrued for insurance policies and issuance of shares amounted to P74,590,599.

- The amounts of withholding tax payments, by category are as follows:

Tax on Compensation and Benefits	P 10,293,217
Expanded Withholding Tax	19,819,884
Final Tax	16,923

- As at December 31, 2021 the Company has a Letter of Authority (LOA) for the examination of its books of account for the taxable year 2019. The Company believes that said examination pose no material adjustments involving the financial year 2019.

- The details of taxes and licenses presented under administrative expenses in the Company's statements of income are as follows:

Provision	P	15,000,000
IC Dues and Assessment		970,272
Real Estate Tax		856,463
Local Business Taxes		333,644
Others		32,360
	P	17,192,739

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